



DEVELOPING A COMPREHENSIVE MANAGEMENT PROGRAM IN ELECTRIC DISTRIBUTION SYSTEMS, TO ELIMINATE LOAN SECURITY PROBLEMS

The operation of any electric distribution system is more likely to be successful if built on sound business methods and principles. It is a sound business principle to have a comprehensive management program, so that the parts of the business will be in balance to each other. The development of a comprehensive and balanced management program for any business includes: (1) Determining what the "parts" of the business are or ought to be; and (2) Operating plans which fit those parts together in the right way.

The Functional Parts of a Typical Electric Distribution System

GENERAL ADMINISTRATION: Its personnel includes the board, the manager, and such specialists as they employ on a fee or contract basis. Major responsibilities include over-all planning; making major policies; arranging for needed financing; relationships in and outside the business; and overall review. Particular activities also include assuring an adequate power supply, maintenance of insurance protection, handling of tax and legal matters, job training and safety, employee relations, establishing retail rate schedules, obtaining needed facilities, and allocating available physical facilities and personnel to the various operating units.

OPERATION AND MAINTENANCE: Its personnel includes construction and operating linemen and groundmen, and engineering personnel hired on a salary basis. Major responsibilities include construction of new lines, system improvements and replacements of property; re-clearing of right-of-way; maintenance and repair of lines and materials; restoration of service; care and preservation of tools, work and transportation equipment; and maintenance of a balanced materials inventory. Particular activities also include the keeping

of certain basic construction and operating records.

OFFICE MANAGEMENT: Its personnel includes the office manager and bookkeeper, clerical staff, work order clerk and warehouseman, and building custodian. Major responsibilities include billing and collecting, disbursing and general accounting; membership and plant records; maintenance of the files; preparation of reports for management and the owners; and office contacts with the public. Particular activities also include the receiving of requests for service and complaints; upkeep of the premises and office equipment, and handling of cash.

COMMERCIAL FUNCTION: Its personnel includes electrification advisors, cooperative education advisors, wiring inspectors, and servicemen who handle consumer complaints other than outages. Major responsibilities include promoting the use of electricity; advising consumers on wiring and electrical equipment and use problems; and representing the organization in civic functions not handled directly by the board or manager. Particular activities also include handling of publications, and securing of easements in difficult cases.

The Five Phases of Business Performance

1. **LONG-RANGE PLANNING:** The establishment of the fundamental objectives of the business; making policies; and deciding on orderly steps in accordance with long-range plans and policies.

2. **ORGANIZATION:** The division of the financial, physical and personnel resources into logical groups, and the unification of effort towards a common goal. Organizing includes the obtaining of men, money and materials, the proper assignment of responsibilities and delegation of authority.

3. **EXECUTION:** The actual doing of the work in which the business or operating unit is engaged.

4. **RECORDS AND REPORTS:** The recording of business transactions as required by law, to carry on the business, or to increase efficiency.

5. **DIRECTION AND CONTROL:** Providing leadership through directing, motivating and improving performance, reviewing results, coordinating activities, maintaining proper relationships both in and outside the business, and stimulating improvement in all 5 phases.

A GRAPHIC PRESENTATION SHOWING HOW THE FIVE PHASES OF BUSINESS PERFORMANCE CAN BE APPLIED TO THE FUNCTIONAL PARTS OF AN ELECTRIC DISTRIBUTION SYSTEM

	GENERAL ADMINISTRATION	OPERATION AND MAINTENANCE	845060 OFFICE MANAGEMENT	COMMERCIAL FUNCTION
LONG-RANGE PLANNING	Statutory and regulatory body requirements Determination of area boundaries Extension policy Overall plans for adequate system capacity Long-range financial forecasts Annual operating budget Book of policies Long-term financing	System study Sectionalizing study TO & M program Planning for disasters	Conformance to uniform system of accounts Regulatory requirements System for preservation of records	Estimates of consumption Dealer and distributor sales programs Equipment use programs Membership programs (for cooperatives)
ORGANIZATION	Board of directors Membership in other organizations Delegate managerial authority and responsibility Manager Establish operating units Prepare job descriptions Secure personnel Allocate space and equipment Consultants	Construction crews Operation and maintenance crews Service crews Shop crews Materials Supplies Equipment	Cashiers Accounts Receivable clerks Other accounting personnel Custodian Materials Supplies Equipment	Electrification advisors Cooperative education advisors Wiring inspectors Materials Supplies Equipment
EXECUTION	Execute contracts and agreements Obtain power supply Participate in civic functions Establish retail rates, service rules and regulations Obtain insurance Purchasing Job training and safety Compensation and conditions of employment Settlement of financial obligations Investment of funds Monthly and annual meetings	Construction: new lines, system improvements and replacements Restore service Preventive maintenance Repairs to equipment, etc.	Billing Collecting Posting Disbursing General accounting Preparation of reports Handling of complaints Training replacements and substitutes Maintenance of buildings, grounds and office equipment	Obtain new consumers and reconnection of idle services Handle individual complaints and requests Conduct group meetings Work with dealers, distributors and manufacturers Work with youth groups Promote use of electricity Promote better consumer and public relations Prepare publications Arrange for consumer credit
RECORDS AND REPORTS	Corporate contracts and records Manager's reports to board Annual reports to owners and regulatory bodies Reports to REA Radio records	Maps Construction records and progress reports Outage records Meter records Transformer records Sectionalizing device records Line inspection and maintenance records Equipment maintenance records	Cash receipt and disbursement records Accounts and notes receivable General plant records Materials records Work-in-progress records Continuous property records Payroll and accounts payable Journal, general ledger, and other subsidiary records Operating reports Special reports	Record of activities Consumer service complaints, action taken Wiring inspection and re-inspection records Appliance ownership and prospect records
DIRECTION AND CONTROL	Establishment of procedures Morale Coordination CPA audit Performance analysis and standards Overtime control Management improvement	Annual work program, estimate work orders, job orders Planning, lay-out, and routing of jobs Inspections and patrols Voltage, load balance and line surveys Substation demand vs. capacity System loss Number of accepted unserved applicants Average outage hours per consumer per month Standard costs and unit costs Time standards Accident frequency and severity rates	Time scheduling for work control Balanced workloads vs. peak loads Internal audit and control Reconciliation of subsidiary ledgers Periodic materials inventory Unit costs	Appliance saturation surveys Consumption analyses Costs compared to budget Accomplishments vs. goals

SUMMARY

Balanced Management requires a plan for the most successful achievement of the objectives of the business, in the best possible way, with all things considered. This plan results from the proper application of management principles to the various parts of a business, and to the business as a whole.

A borrower's Comprehensive Management Program should be a plan for achieving balanced management, with special reference to those parts of the business which should be strengthened. The content and detail of a particular borrower's Comprehensive Management Program should:

- (1) Be appropriate to the total circumstances;
- (2) Be arranged in orderly fashion;
- (3) Include dates for completion of the various steps; and
- (4) Be approved by the Board of Directors.